

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4151-04
BILL NO.: Perfected HS for HCS for HB 1927
SUBJECT: Department of Natural Resources; Water Pollution Permit Fees
TYPE: Original
DATE: April 26, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$4,023,434)	(\$5,162,890)	(\$5,832,525)
Natural Resources Protection	\$2,663,796*	\$4,064,126*	\$4,103,486*
Road	(\$12,210)	(\$12,577)	(\$12,954)
Total Estimated Net Effect on <u>All</u> State Funds	(\$1,371,848)	(\$1,111,341)	(\$1,741,993)

*Continuation of current revenues of approximately \$2.2 million annually due to extension of sunset date. Additional income of approximately \$1.9 million annually due to increase in fees.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 10 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning** assume their agency would not be fiscally impacted by this proposed legislation. However, officials noted that there could be impact on total state revenue.

Officials from the **Office of the Secretary of State** assume that based on experience with other divisions, the rules, regulations and forms issued by the Department of Natural Resources and Clean Water Commission could require as many as approximately 26 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the *Code* because cost statements, fiscal notes and the like are not repeated in *Code*. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$22.50. The estimated cost of a page in the *Code of State Regulations* is \$26.50. Therefore, the estimated costs for FY 01 are \$1,566.50. The actual costs could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn.

Officials from the **Department of Economic Development - Missouri Housing Development Commission** and the **Department of Health** assume they would not be fiscally impacted by this proposed legislation.

Officials from the **Department of Transportation** assume they will experience increased fees for permits under the following permit types:

- (1) Sewer connection fees for 145 facilities at \$10 per year for a total of \$1,450.
- (2) Wastewater discharge fees increased (averaged) for 15 rest area lagoon systems for an increased total of \$9,425.
- (3) Ten annual water quality certifications for a total of \$750.
- (4) Seven individual licenses for operation of wastewater treatment lagoons for a total of \$315.
- (5) General land disturbance fee increase from \$150 per 5 years to \$300 annually, for an increase of \$270 per year (new cost per year of \$300 less average old cost per year of \$30).

Therefore, the grand total per year due to the increased and new fee amounts is \$12,210.

ASSUMPTION (continued)

Officials from the **Department of Natural Resources** (DNR) noted that in FY00 the existing permit fee structure is anticipated to generate approximately \$2.2 million annually, which supports the permitting, engineering, inspection, and compliance review efforts of the Department's water pollution control efforts. However, the current cost for FY00 to do the statutory responsibilities of these efforts is approximately \$3.2 million. The funding needed to cover the \$1 million deficit has come from the existing fund balance and general revenue.

The proposed legislation would enable the Department to cover revenue shortfall to maintain the current level of effort and provide about \$1 million in additional resources to support an improved water pollution control effort.

Summary of New or Revised Fee Provisions				
	Current Fees.			
	FY00 based on <u>FY99 figures</u>	New fees before <u>Permit credit</u>	Net <u>Gain/(Loss)</u>	Affected <u>Parties</u>
Municipal Fees	\$ 546,482	\$ 0	(\$546,482)	Municipal
Service Connection	0	1,094,793*	1,094,793	Wastewater Systems
General Permits	162,150	343,890	180,740	Customer of public
SW Site-Specific	394,615	304,200	(90,415)	sewer system
Small Domestics	8,625	57,500	48,875	Land disturbance,
Letters of Approval	0	0	0	certain industries
Large Domestics	57,900	903,400	845,500	Runoff from
Permit Mods	0	94,438	94,438	industrial sites
Permit-by-Rule	0	1,900	1,900	Trailer parks,
Permit Variances	750	7,500	6,750	subdivisions
401 WQ Certs	0	115,125	115,125	Class II CAFO's
Industrial Permits	622,000	622,000	0	Private sewer systems
Construction Permits	288,250	431,590	143,340	Anyone modifying a
				permit
				Anyone requiring a
				variance
				Dredging or filling in
				waterways
				Mining and chemical
				industry
				Const. of water
				treatment plants

ASSUMPTION (continued)

Residential housing dev	0	0	0	Approval of on-site systems
Operator Certification	56,545	59,720	3,175	Exams and certificates
Site-specific CAFO	<u>66,500</u>	<u>95,000</u>	<u>28,500</u>	Class IA CAFO's
TOTAL	\$ 2,203,817	\$ 4,131,056	\$ 1,927,239	

***SEWER CONNECTION FEE BREAKDOWN**

1,436,934 residential customers served @ \$.40 to \$.80/connection =	\$ 718,467
87,418 industrial/commercial customers @ up to \$25/connection =	\$ 433,947
Total Gross Revenues	<u>\$1,152,414</u>
Minus 5% Collection Fees (retained by local government)	\$ (57,621)
Net Revenues	\$1,094,793

The proposed legislation modifies the existing permit fee structure as well as adds new fees. The Department plans on using the increased revenues to cover the core water pollution activities as well as increase the work activities in some of these same efforts. The Department will request these additional resources through the normal budget process.

Because some general permits will still be in effect when the new fee structure becomes effective, DNR is giving the holders of the old permits a credit based upon the remaining portion of the old permits life. The credit shall be equal to \$30 a year until permit expiration, which is the \$150 permit fee prorated over the five-year term of the permit. Should a new general permit be required after the expiration of the old one, the permittee shall pay the new rate in full. The DNR anticipates the following amount given as credits:

FY01 - \$ 88,290 (3,943 old permits in effect)
 FY02 - \$ 66,930 (2,631 old permits in effect)
 FY03 - \$ 27,570 (919 old permits in effect)
 FY04 - \$ 11,790 (393 old permits in effect)
 FY05 - \$ 9,570 (319 old permits in effect)
 FY06 - \$ 0 (0 old permits in effect)
 TOTAL CREDITS - \$204,150.

FY01, FY02, and FY03 credits are reflected in this fiscal note as a debit to revenues.

The Department sees a need to generally increase inspections on all facilities to verify compliance. The Department would request additional resources to increase field presence to better assure compliance and level the playing field for those that already have a permit.

ASSUMPTION (continued)

Additionally, this increased field presence would provide assistance when needed and allow the department to respond to citizens' complaints in a timely fashion.

The Department would request additional resources to perform other general permitting activities such as permit writers and regional office assistance relating to newly identified facilities. These resources will also monitor and track the Discharge Monitoring Reports (DMRs) sent from the facilities. These reports currently receive only a cursory review.

The Department would also request additional resources to type inspection reports, correspondence, and deposit and reconcile additional fee revenue.

It should be noted, the revision to the water pollution permit fees will impact the Department through its state park facilities due to their need for certain water pollution permits (i.e., construction permits, small domestics, etc.) and the Department's costs related to the sewer service connection fee. If it is determined these costs cannot be managed through the department's existing appropriations, additional resources would be requested.

The proposed legislation would change the reference from executive secretary to director of Department of Natural Resources. The Reorganization Act of 1974 which eliminated the position of executive secretary and transferred those duties to the director of the Department. This provision would not impact the Department.

The proposed legislation would allow the commission to issue permits by rule. Permits-by-rule will be offered to facilities that employ standard and proven treatment systems or which produce a low-volume or short duration, low toxicity wastewater discharge. This option is intended to present a permitting option to facilities that pose no or negligible potential for water pollution. Facilities meeting these criteria may be paying up to \$1,500 for a permit. However, most are likely to be presently covered by a general permit, which costs \$150.

However, since the commission has not established the rules for these permits, the number of facilities that would be eligible for a permit by rule is unknown. Therefore, the Department cannot determine the impact from this provision on projected revenues.

Oversight assumes that this proposed legislation does not create additional duties; therefore, Oversight has not included in the fiscal impact specifications below the additional staff and related expenses as requested by DNR. If DNR wishes to increase inspection activity and implement other program enhancements utilizing revenues derived from fee increases, requests should be made through the appropriations process.

ASSUMPTION (continued)

Oversight has adjusted DNR's income for the Natural Resources Protection Fund assuming fiscal impact from a) increasing fees; and b) removal of the 12/31/00 sunset date on fees. Oversight assumes in reference to income from the new fee structure, four months of the increase in fees and six months at the new fee rate and has used these figures to compute the income for FY 01.

Oversight assumes current duties performed by DNR would continue in the absence of this proposal and has not reflected DNR costs due to the provisions in this bill. Oversight also notes that in the absence of a continuation of affected fees DNR would have to request in excess of \$2 million from the General Revenue Fund in order to continue existing programs at current levels.

Oversight assumes that local governments will incur costs under this proposed legislation. However, the exact costs are undeterminable.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Assumptions in reference to the component of House Amendment Number 2 addressing water pollution control bonds

Officials of the **Office of Administration - Division of Accounting (OA)** (in response to a similar proposal - Perfected HCS for HB 1074) assume the proposal would authorize \$70 million in bonds for water pollution control. They indicate that the bond issue date would depend on the use of available bond proceeds from bonds authorized but not yet issued. OA officials assume a single bond sale, 25-year maturities, 7% interest rate, level debt service, and annualized costs based on a sale in FY 2001 of \$45 million, \$15 million to be issued in FY 2002, \$7.8 million to be issued in FY 2003, and \$2.2 million to be issued in FY 2004 or later (according to OA, there have been sufficient amounts authorized in the past, all of which have not yet been issued, so that the full authorized amount would not need to be issued immediately). Based on these factors, annual debt service would approximate \$3,861,473 in FY 2001, \$5,148,631 in FY 2002 and \$5,817,953 in FY 2003.

Oversight notes that in OA's original response to this proposal, officials had assumed that bonds would be sold as follows: \$40 million in FY 2001, \$20 million in FY 2002 and \$10 million to be issued in FY 2004 or later. They have since determined that based on current amounts issued, anticipated bond sales are more likely to be as noted in the first paragraph above. Therefore, the

ASSUMPTION (continued)

amounts for debt service have been adjusted in the fiscal note to reflect this schedule for bond sales.

OA officials also assume that one-time costs per issue would include personal services of .06 Director, .12 Assistant Director, .12 Accounting Analyst IV, .17 Accounting Analyst II, and .04 Clerk Typist III plus fringe benefits for total one-time personnel costs of \$33,030. One-time costs would also include issuance costs, including costs of financial advisor, legal counsel, printing, rating agency fees, official statements, etc. at a total cost of \$150,000. Total one-time costs for FY 2000 would be \$183,030.

Oversight assumes that the one-time personal services noted above would be performed by existing staff, with no increased costs to OA for these services.

OA officials also request that .25 Executive Assistant be hired to initiate general revenue transfers to the appropriate debt service funds, reconcile all paying agent transactions for principal and interest, and monitor all fees due to the paying agent. Total costs for this position, including fringe benefits, equipment and expense would be \$9,961 in FY 2001, \$12,259 in FY 2002, and \$12,572 in FY 2003. Paying agent fees are expected to approximate \$2,000 each year.

Department of Natural Resources (DNR) officials assume the proposal would authorize the sale of \$70 million of water pollution and stormwater control bonds to be used as a match to a federal capitalization grant for the State Revolving Fund (SRF), to continue the state's 40% State Construction Grants Program for those economically disadvantaged communities that do not qualify for the SRF loan program, and the state's rural water and sewer grant program and stormwater grant program. It would also allow the initiation of loan programs under each.

DNR officials indicate that funds would be used as follows: \$40 million for Stormwater Control, \$22.5 million for the Rural Water and Sewer Program, \$4.5 million for the SRF (20% match required to receive federal funds), and \$3 million for the 40% State Construction Grant Program.

FISCAL IMPACT - State Government

FY 2001 FY 2002 FY 2003
(10 Mo.)

GENERAL REVENUE FUND

Costs-Office of Administration

Personal service (.25 FTE)	(\$6,747)	(\$8,299)	(\$8,506)
Fringe benefits	(2,075)	(2,552)	(2,616)

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<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
Equipment and expense	(1,139)	(1,408)	(1,450)
Paying agent fees	(2,000)	(2,000)	(2,000)
Costs of issuance	(150,000)	0	0
Transfer to principal & interest sinking fund	(3,861,473)	(5,148,631)	(5,817,953)

**ESTIMATED NET EFFECT ON
 GENERAL REVENUE FUND** (\$4,023,434) (\$5,162,890) (\$5,832,525)

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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**NATURAL RESOURCES
 PROTECTION FUND**

Income - Department of Natural
 Resources

Continuation of fee collection due to extension of sunset date	\$1,101,908	\$2,203,817	\$2,203,817
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Income - Department of Natural
 Resources

Increased Fees	<u>\$1,561,888</u>	<u>\$1,860,309</u>	<u>\$1,899,669</u>
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Estimated Net Effect on Natural Resources Protection Fund	<u><u>\$2,663,796*</u></u>	<u><u>\$4,064,126</u></u>	<u><u>\$4,103,486</u></u>
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*Fee increases and permit credits
 prorated, could vary depending on timing
 of collections and date of credit,
 respectively

ROAD FUND

Cost - Department of Transportation

Expense and Equipment	<u><u>(\$12,210)</u></u>	<u><u>(\$12,577)</u></u>	<u><u>(\$12,954)</u></u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
LOCAL GOVERNMENTS			
<u>Income - Locals</u>			
Collection Fee	\$0	\$57,621	\$57,621
<u>Cost - Locals</u>			
New Sewer Connection Fees	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
Estimated Net Effect on Local Governments	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

DNR noted that any small business that is required to obtain a water pollution permit or that is hooked up to a sewer system will be impacted by the change in the fee structure.

DESCRIPTION

Water pollution permit fees will expire on December 31, 2000. This proposal restructures the fees and extends the sunset date to December 31, 2007.

This proposal revises certain water pollution permit fees.

No later than December 31, 2001, the commission shall promulgate regulations defining shorter review time periods than the time frames established for different classes of construction and operating permits.

The proposal would authorize the issuance of \$70 million in bonds for the control of water pollution and stormwater.

Finally, the proposal removes obsolete references to the executive secretary of the Clean Water Commission and replaces executive secretary with director.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

AK:LR:OD:005 (9-94)

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SOURCES OF INFORMATION

Department of Economic Development
Missouri Housing Development Commission
Department of Health
Department of Natural Resources
Department of Transportation
Office of Administration - Division of Budget and Planning
Office of Administration - Division of Accounting
Office of Secretary of State

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "Jarrett".

Jeanne Jarrett, CPA
Director
April 26, 2000